

1. CALL TO ORDER

Chair Schubert called the meeting of the Executive Committee to order at 8:30 a.m. Individuals in attendance are listed below:

Executive Committee Members

Ron Greenwood, Carmichael Water District
Sean Bigley, City of Roseville
Michelle Carrey, City of Sacramento
Paul Schubert, Golden State Water Company
Kerry Schmitz, Sacramento County Water Agency
Dan York, Sacramento Suburban Water District
Pam Tobin, San Juan Water District

Staff Members

Jim Peifer, Rob Swartz, Ryan Ojakian, Nancy Marrier, Josette Reina-Luken, Cecilia Partridge and Ryan Bezerra, legal counsel

Others in Attendance

Kelye McKinney, Charles Duncan, John Woodling and Marisa Tricas

2. PUBLIC COMMENT

Mr. Swartz distributed an interview of Stanford Water in the West researchers entitled “Making California’s Water Supply Resilient.” On the last page of the interview, it refers to keys of resilience, forming governance structures, and how to take small systems and have them work together to build resilient systems. Mr. Swartz explained to the committee that the RWA organizational model and the proposed water bank are the types of collaboration needed for resilience success. Mr. Swartz continued to explain that the RWA is at the forefront of dealing with the issues mentioned in the article.

3. CONSENT CALENDAR

- a. The minutes from the September 25, 2019 Executive Committee meeting
- b. Adopt Resolution 2019-11

Motion/Second Carried (M/S/C) Mr. Greenwood moved, with a second by Mr. York, to approve the September 25, 2019 Executive Committee meeting minutes and recommend RWA board adoption of Resolution 2019-11 authorizing Submittal of a Proposal to the California Department of Water Resources for an Integrated Regional Water Management Implementation Grant and Execution of a Funding Agreement. The motion carried by the unanimous voice vote of all directors present.

4. RWA STRATEGIC PLAN UPDATE

James Peifer, Executive Director, said that the RWA prepared a strategic plan in 2013 and adopted minor plan updates in 2017. An update of the Strategic Plan has been recommended by the Executive Director and Executive Committee with input that has been received. Similar to the 2013 update, the Executive Committee will guide the development of the process to update the plan, including schedule, the processes used to solicit input from members and stakeholders, and other considerations.

Pam Tobin entered the meeting.

Mr. Peifer said that he has nearly completed the member listening sessions and plans to meet with Fair Oaks Water District, Orange Vale Water Company and Golden State Water Company soon. The initial strategic plan framework is a good base to work from for updating for 2024 and beyond. Assessments need to be made, perhaps using a SWOT (strengths, weaknesses, opportunities and threats) analysis.

Hiring a consultant would be beneficial to complete the strategic plan by the end of the fiscal year and prior to the approval time of the next fiscal budget. The focus will be to create a strategic plan for what the RWA needs to be in the next five to 10 years.

Mr. Peifer explained that on his listening tour, he heard common themes from a number of members including unfunded mandates, erosion of local control, aging infrastructure funding, having sufficient water supply for growth, having adequate rates, creating awareness of the value of water, water supply reliability and adaption to climate control, implementing the Sustainable Groundwater Management Act, contaminants in water supply and groundwater, and regulatory uncertainty.

Mr. Peifer noted that the members' visions for the RWA are to develop and implement the Sacramento Regional Water Bank and for RWA to become the coordinator with a leadership role for the region. RWA should become the face of the region and should provide opportunities to share information, resources, and entitlements. The RWA should explore opportunities for reducing costs and gaining

efficiencies. Members would like to see more education, communication and sharing of information, assistance for members with common planning elements, technical support, and RWA to become more involved in regulatory proceedings. To defray costs, especially for small agencies, it was suggested that a common billing system be explored that could be utilized by all agencies.

The greatest value that members see in the RWA include grants, coordination, a place to network, and the benefits of the Legislative Affairs Program. All agencies had said that they receive value as members of the RWA. There is room for improvement, but overall members are satisfied with the RWA services.

Mr. Peifer suggested a staff proposal for revisions to the mission and vision will be presented at the January 2020 RWA Board meeting. Mr. York said the Board should consider revisions to the Mission and Vision without a staff proposal and Mr. Shubert agreed. A workshop is anticipated to be scheduled after the first of the year.

It was suggested that, for comparison, RWA look at what similar organizations are doing with their strategic plans and what is working for them. Organizations outside of RWA agencies could provide new ideas and additional information. At least once a year, periodic checks are made to make sure the strategic plan action items are being implemented and achieved.

Mr. Peifer will continue to work with the RWA Chair, Vice Chair and the committee to finalize some structure and thoughts to lay out for the proposed workshops. A guide for the Strategic Plan needs to be finalized prior to the next fiscal year budget.

5. OTHER POST-EMPLOYMENT BENEFITS (OPEB) FUNDING POLICY REPORT

Nicole Krotoski, RWA's financial and accounting consultant, gave a power point presentation explaining the Other Post-Employment Benefits (OPEB) Funding Policy. In March 2009, the RWA Board of Directors approved using the California Employers' Retiree Benefits Trust (CERBT), which is managed by CalPERS, to invest RWA's funds into an irrevocable trust for the purpose of funding ongoing retiree health obligations.

Bi-annually, RWA's actuary, Catherine MacLeod, provides an updated OPEB funding report that outlines RWA's budgetary OPEB information. This funding report uses various assumptions to drive the overall calculation. Factors that play into these assumptions include type of investment strategy, CERBT discount rate, amortization period, implicit and explicit liability, and future health care costs.

- Currently, RWA is invested in CERBT Strategy 1; the most aggressive funding strategy. The CERBT Strategy 1 has performed well. It was last reported that

RWA experienced an approximate 10% average annualized rate of return through July 2017 (updated annualized return pending). This favorable investment return is partly because the trust inception date correlated with a market low point in 2008 and then experienced subsequent investment growth. As a result, RWA's OPEB plan is very well funded (approximately 90%).

- In October 2018, the CERBT adjusted the discount rate used to calculate Strategy 1. Previously, the target rate was 7.28%. RWA approved the use of 7% discount rate to provide some buffer for choosing a more aggressive strategy. The new CERBT blended rate, adopted in October 2018, is now 7.59%. With increased information available regarding performance and cash flows, RWA's actuary is now able to take this data and create a customized discount rate for RWA's future retiree health obligations.
- RWA currently uses a 10-year period to amortize the unfunded liability. Essentially, the amount of unfunded retiree costs is pro-rated over a 10-year period for trust funding purposes.
- As it pertains to OPEB liability, the *implicit liability* is estimated by determining what the health premiums would be for retirees as if the health premiums were age rated. The *explicit liability* is calculated by determining the required health care premiums for all expected retirees at the actual cash flow required to fund the liability. RWA participates in the CalPERS health plan where health care premiums are similar among all age groups. Currently RWA funds both the explicit and implicit liability.
- In the 2017 OPEB funding report, the actuary included as part of RWA's future health care obligation costs, the health care excise tax. The implementation of this Affordable Care Act's federal tax has been delayed again to 2022.

RWA staff requested input from the Executive Committee (EC) on two key assumptions for the actuary use in determining future funding requirements. These include RWA moving their OPEB investments to a more conservative CalPERS investment strategy (Strategy 2 or 3) and applying different CERBT discount rates.

Some agencies been moving assets into the more conservative Strategy 2 and 3. Since Strategies 2 or 3 are less aggressive, lower rates of return will increase cash flow requirements and the unfunded liability for funding in the future. Currently, the CERBT does not allow for a splitting of investments amongst different strategies, but that may change in the future.

Based on a quick analysis using RWA's cash flows, the actuary believes RWA's discount rate to be around 6.85%. Updated retiree health care cash requirements will result in a new blended rate that could be higher or lower than the CERBT rate of 7.59%. Once the new blended rate is determined, the actuary can provide an

additional analysis using a slightly lower rate (current practice) and provide the comparative results at the next Executive Committee meeting.

Staff recommends that the actuary provide OPEB cash flow and liability analysis using the customized blended rate for Strategy 1 (as determined by the actuary) and then an additional analysis with a lower discount rate for comparative purposes. In addition, the actuary shall also determine the customized rate for funding Strategies 2 and 3 and the resulting cash flow and liability analysis for comparison to Strategy 1; keeping all other remaining assumptions the same as the previous actuarial report.

M/S/C Ms. Schmitz moved, with a second by Ms. Tobin, for the Executive Committee to provide the requested input regarding OPEB cash flow and liability analysis and funding strategies. The motion carried by the unanimous voice vote of all directors present.

6. VOLUNTARY AGREEMENT AD HOC COMMITTEE UPDATE

Ms. Schmitz reported that Placer County Water Agency (PCWA) has hired ICF to assist staff efforts on the Voluntary Agreement process. The ad hoc committee has worked with PCWA to assign the first tasks to ICF by assembling a list of everything happening with the Voluntary Agreements. One of the challenges is deciding what to focus on at any given time as things continue to change. ICF will draft a document to identify what the priorities should be and where staff time and resources should be spent moving forward.

7. VOLUNTARY AGREEMENT PROGRAM AGREEMENT

Committee Chair Ms. Schmitz said that a program description and draft agreement have been prepared by the committee that will be presented to the Executive Committee in December and the full RWA board in January.

Ms. Schmitz also reported that Andy Fecko with Placer County Water Agency will give an update on the Voluntary Agreement process to the full board at the November 14th board meeting.

8. FEDERAL AFFAIRS AD HOC COMMITTEE UPDATE

Committee Chair Mr. Bigley reported that a survey was sent out to the general managers with 18 responses received. A committee meeting is scheduled for tomorrow to compile the survey results and determine how the results will factor into the committee recommendations to the RWA board. All members are invited to attend the meeting. The committee will also incorporate a Washington DC and federal affairs update for the board.

Mr. Peifer said that the federal affairs effort will be part of the RWA strategic plan. The committee vice chair will make a presentation to the board to educate the members on what the ad hoc committee has developed and how that will be worked into the strategic plan.

9. DISPOSAL OF SURPLUS PROPERTY

Mr. Peifer said that RWA Policy 300.3 defines procedures by which surplus property can be disposed. The policy gives authority to the Executive Committee and the Executive Director for disposing of surplus property. The policy precludes board members and employees from purchasing or receiving surplus property. The policy does not extend this limitation to former employees.

Ms. Marrier is seeking approval of the Executive Committee to purchase an RWA owned 2012 Dell Vostro 470 desktop computer for fair market value after her departure on December 2, 2019. Staff researched prices for a similar used computer on the internet and recommends a price of \$30. The alternative to this transaction will be to dispose of the computer as e-waste since there is no other employee who will use it.

M/S/C Ms. Schmitz moved, with a second by Mr. Bigley, to approve the sale of 2012 Dell desktop to the outgoing Finance and Administrative Services Manager consistent with RWA Policy 300.3. The motion carried by the unanimous voice vote of all directors present.

10. WATER MANAGEMENT OPTIONS PILOT

Rob Swartz, Manager of Technical Services, said that RWA successfully applied for funding assistance through the United Bureau of Reclamation's Basin Study – Water Management Options Pilot Program. RWA has been awarded \$650,400 that will be used to conduct operations modeling with Reclamation to ensure that the Water Bank does not impact Central Valley Project operations. The operations model is of surface water operations related to reservoirs and rivers, and it would need to be linked to the regional integrated water flow model (IWFM) currently being developed in the region to evaluate the Water Bank. The IWFM model development is being used to meet the local cost share requirement for the Reclamation funding support. Because SGA is managing the development of the IWFM model for the North American Subbasin (NASb), SGA would need to be a part of the Memorandum of Agreement (MOA) currently being developed between RWA and Reclamation. This would allow the funds being used for the NASb IWFM to be counted as local cost share. Staff is requesting that the Board authorize the Executive Director to enter

into the MOA with SGA and Reclamation upon its completion. A copy of the MOA template was included in the packet.

To meet the local cost share, existing commitments of funding were being used with work that is being done through the Sacramento Groundwater Authority to develop the Integrated Water Flow model for the North American Subbasin.

M/S/C Ms. Tobin moved, with a second by Ms. Schmitz, to recommend to RWA Board to Authorize the Executive Director to enter into a Water Management Options Pilot Memorandum of Agreement with the United States Bureau of Reclamation and the Sacramento Groundwater Authority. The motion carried by the unanimous voice vote of all directors present.

11. RWA NOVEMBER 14, 2019 BOARD OF DIRECTORS MEETING AGENDA

After discussion, it was agreed to change the Voluntary Agreement Ad Hoc Committee Update to Bay Delta Voluntary Agreement Update on the November 14th RWA Board meeting agenda.

M/S/C Ms. Tobin moved, with a second by Mr. Greenwood, to approve the November 14, 2019 Board of Directors Meeting Agenda with the suggested change. The motion carried by the unanimous voice vote of all directors present.

12. EXECUTIVE DIRECTOR'S REPORT

Annual Holiday Social – The 2019 RWA Holiday Social is scheduled for Thursday, December 12th at North Ridge Country Club.

Finance and Administrative Services Manager Recruitment – Ms. Josette Reina-Luken started on October 8th as the new Finance and Administrative Services Manager.

Grants Update – Staff is managing five grants totaling in excess of \$28 million. One of those grants, the 2011 Proposition 84 Integrated Regional Water Management Grant for \$16 million, concluded on June 30, 2019. Staff is in the process of preparing the final project completion report as required by the grant agreement.

RWA Outreach – Rob Swartz presented on the Water Bank to the Groundwater Resources Association of California's Western Groundwater Congress on September 19th and to the City of Sacramento Water Committee on September 24th.

Jim Peifer and Rob Swartz briefed Marguerite Patil from Contra Costa Water District and Mike Tognolini from the East Bay Municipal Water District on the Sacramento Regional Water Bank (Water Bank) on September 30th.

RWA staff participated on a regional congressional staff tour on October 8th. The tour was organized by Marisa Tricas from the City of Roseville. RWA staff briefed congressional staff on the Water Bank during the tour.

RWA and Water Forum staff brought State Legislative staff on a tour on October 11th to educate them on RWA and Water Forum initiatives including water use efficiency efforts, habitat management projects, managing groundwater contamination, and development of the Water Bank. The tour was organized and led by Ryan Ojakian. Tour stops were made at the Nimbus Fish Hatchery across from the Sailor Bar Side Channel Project and San Juan Water District. The event was well attended with 18 staff members participating.

Ryan Ojakian and Jim Peifer met with Thomas Gibson, Deputy Secretary and Special Counsel for Water at the California Natural Resources Agency to discuss the Water Bank and request the State recognize the Water Bank as a state led storage project for purposes of pursuing federal funding opportunities on October 16th.

Mr. Peifer has been requested to make a presentation at the November LAFCO meeting.

Water Efficiency Update – The State Water Resources Control Board (State Board) released their proposed framework for performance standards for water loss and the associated economic model in September. These proposed performance standards will be used to assess water suppliers' compliance with Senate Bill 606, Assembly Bill 1668, and Senate Bill 555. The State Board is requesting comments on the proposed standards with a deadline of October 25th at noon. The water supplier community and RWA have some significant concerns with the proposed standards and economic model. A coalition comment letter has been organized through CMUA and individual water suppliers are encouraged to submit their own letters outlining specific examples of concerns that are unique to their agency. RWA will submit a comment letter on behalf of the region. The State Board is required to adopt water loss performance standards on or before July 1, 2020.

13. DIRECTORS' COMMENTS

Mr. Bezerra said that Alan Lilly from Bartkiewicz, Kronick & Shanahan has been appointed to the State Water Resources Control Board as the first administrative hearing officer.

Mr. York said that Sacramento Suburban Water District's 218 Public hearing for a five-year water rate increase was approved by their board.

Mr. Bigley announced that City of Roseville was invited by the US EPA to apply under the Water Infrastructure Finance and Innovation Act with a

required letter of interest and to participate in a follow up screening process. This includes a funding loan for a suite of groundwater and recycled water projects.

Ms. Carrey said that City of Sacramento submitted a comment letter to the State on the Water Loss Audit Compliance Standards.

Mr. Greenwood said that Carmichael Water District is working with Kennedy Jenks on replacing their La Vista water tank. The District continues their search for a new General Manager. He is not running for LAFCO chair this year, so the seat will be open for others to apply.

Chair Schubert said that Golden State Water Company has been working State Division of Drinking Water with consolidation of some small water systems. If anyone knows of small systems that need assistance please contact Mr. Schubert.

ADJOURNMENT

Chair Schubert adjourned the meeting at 9:48 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer